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Ecuador

Coffee

Annual

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Report Highlights:

Ecuador's coffee production is expected to decrease to 850,000 60 kg bags for the upcoming marketing year 2002/2003 from the already depressed production of 948,000 60 kg bags GBE (green beans equivalent) in the previous year. In order to meet domestic demand for the coffee industry, the government of Ecuador took an unprecedented step of allowing the importation of some beans from Vietnam, Indonesia and Brazil.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Coffee production for Marketing Year 2002/2003 (April/March) is expected to decrease to 850 thousand 60 kilogram bags, down from the depressed production 948,000 60 kilogram bags produced in the previous MY 2001/2002. The harvest in MY2001/2002 was worse than expected mainly due to the bad weather conditions and also due to the fact that farmers were discouraged from harvesting because of depressed international prices for coffee beans. Ecuador imported under the temporal admission regime 100,000 60 bags in 2001 and has allowed the import of 172,000 60 kg bags of green coffee from Vietnam, Indonesia and Brazil.

Production

Coffee production for the Marketing Year 2002/2003 (April/March) is expected to decrease to 850 thousand 60 kilogram bags, down from the depressed production of 948,000 60 kilogram bags produced in the previous MY 2001/2002. The harvest in MY2001/2002 was worse than expected mainly due to the bad weather conditions and also due to the fact that farmers were discouraged from harvesting because of depressed international prices for coffee beans. The most notable change from the recent past is the greater production of Robusta coffee compared with Arabica coffee. The Arabica coffee share in the total production is almost the same as the Robusta Coffee, fifty percent each.

Area planted and harvested is forecasted to decrease to 260,000 hectares and 240,000 hectares respectively. Farmers are replacing their coffee plantation with more profitable crops such as corn, cassava, cotton.

Coffee prices have played a major role in the decreased production in MY 2001/2002. Prices paid to growers in Ecuador for washed Arabica beans were placed at US\$35.76 in December 2001 for 45.36 Kg bag. The average price for washed Arabica fell down from US\$79.84 in the year 2000 to US\$46.32 in the year 2001. Improved coffee prices may encourage producers to harvest all available beans, both of Arabica and Robusta varieties.

Trade

Exports of coffee and coffee products for MY 2002/2003 are forecasted to decrease to 714, 000 60 Kg bags from the revised figure of 746,000 in the previous marketing year. Exports of coffee beans are forecasted to decrease to 310,000 60 kg. bags from 342,000 in the previous Marketing year. However, export of soluble coffee is foreseen to increase to a similar quantity of 400,000 60 kg bag GBE both in MY2002 and MY 2003. That has occurred and will occur because Ecuador has imported in calendar year 2001 about 100,000 60kg bag of Robusta coffee and it is forecasted to import in calendar year 2002 about 172,000 60 kg bags of Robusta coffee to meet demand from the Ecuadorian coffee industry. These importations were made under the especial regime of temporal admission as a condition to export once the coffee is industrialized. Vietnam, Indonesia and Brazil are the main suppliers of the coffee. The coffee that entered Ecuador under the temporal admission regime as well as the exports of the equivalent coffee do not appear in the official data, but post has included it in the PS&D table

Ecuador's main markets for coffee beans for calendar year 2001 are the United States with 57 percent, Chile with 10 percent, and Germany with 13 percent. Germany and Poland are the main markets for Ecuador's industrialized coffee with 24 and 17 percent respectively, as well as Japan with 16 percent and England with 10 percent of market share. The US market for industrialized coffee is low with 2.1 percent.

Policy

The current focus of national coffee policy is the established private/governmental institution called the National Council for Coffee (COFENAC). According to the law, COFENAC is the institution which is in charge of implementing the Law for the Coffee Industry.

This new law basically provides a framework to promote and organize a modern coffee industry to deal with the fluctuations of international coffee prices, and to provide loans through private banks at preferential interest rates to producers for the rehabilitation, renovation, and maintenance of coffee plantations. The primary goal of the loans provided by COFENAC is not to increase the planted and harvested area, but to provide small and medium producers

access to better coffee seedlings, to improve quality, and increase yields. The Ecuadorian coffee industry realizes that this is the only way to create a more market-oriented industry in the coming years. However, COFENAC is concerned because these goals may not be reached since coffee farmers do not have incentives to replant coffee or make investments in the farms because current coffee prices do not justify such investments. On the other hand, farmers started replacing coffee plants with remunerative crops such as corn, cassava, cotton. This may cause immediate deterioration of the environment and erosion of lands, turning an economic problem into a social and ecological problem.

PSD Table						
Country	Ecuador					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		04/2000		04/2001		04/2002
Area Planted	290	290	280	280	0	260
Area Harvested	240	280	250	260	0	240
Bearing Trees	240	240	230	225	0	220
Non-Bearing Trees	15	15	15	12	0	10
TOTAL Tree Population	255	255	245	237	0	230
Beginning Stocks	26	20	21	14	21	6
Arabica Production	591	555	644	530	0	450
Robusta Production	490	450	522	418	0	400
Other Production	0	0	0	0	0	0
TOTAL Production	1081	1005	1166	948	0	850
Bean Imports	0	0	0	100	0	172
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	100	0	172
TOTAL SUPPLY	1107	1025	1187	1062	21	1028
Bean Exports	445	346	520	342	0	310
Roast & Ground Exports	5	5	6	4	0	4
Soluble Exports	326	350	330	400	0	400
TOTAL Exports	776	701	856	746	0	714
Rst,Ground Dom. Consum	250	250	250	250	0	250
Soluble Dom. Consum.	60	60	60	60	0	60
TOTAL Dom. Consumption	310	310	310	310	0	310

Ending Stocks	21	14	21	6	0	4
TOTAL DISTRIBUTION	1107	1025	1187	1062	0	1028

Export Trade Matrix			
Country	Ecuador		
Commodity	Coffee, Green		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	2000		2001
U.S.	7325	U.S.	12606
Others		Others	
Chile	3535	Chile	2186
Germany	1328	Germany	2835
Spain	1150	Spain	473
Canada	880	Canada	419
Italy	990	Italy	584
Mexico	802	Tunisia	1012
Total for Others	8685		7509
Others not Listed	2868		2013
Grand Total	18878		22128

Prices Table			
Country	Ecuador		
Commodity	Coffee, Green		
Prices in	US Dollars	per uom	45.36 kg.
Year	2000	2001	% Change
Jan	106.55	53.33	-49.95%
Feb	99.13	51.72	-47.83%
Mar	91.49	52.94	-42.14%
Apr	87.79	49.11	-44.06%
May	84.41	55.07	-34.76%
Jun	81.41	50.07	-38.50%
Jul	77.55	48.02	-38.08%

Aug	73.93	44.46	-39.86%
Sep	65.11	42.09	-35.36%
Oct	69.74	36.62	-47.49%
Nov	65.59	36.71	-44.03%
Dec	55.43	35.76	-35.49%
Exchange Rate		Local currency/US \$	